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MT LEGISLATIVE HISTORY

Chapter 503 1989

Bill H 795 S _____ Original bill & hist. ___C

H. Committee on Natural Resources		S. Committee on Taxation - Rereferred to Finance & Claims	
Hearing Date(s) Mar 9	✓C	Hearing Date(s) Tax - Mar 28	✓C
Mar 11	✓C	Tax - Mar 29	✓C
_____	___C	_____	___C
_____	___C	_____	___C
Date Out Mar 11	✓C	F&C - Apr 3	✓C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

HB 793 INTRODUCED BY SQUIRES, ET AL.
REVISE DEFINITION OF PUBLIC EMPLOYEE

2/17	INTRODUCED		
2/17	REFERRED TO STATE ADMINISTRATION		
2/23	HEARING		
2/23	COMMITTEE REPORT--BILL PASSED		
2/24	2ND READING NOT PASSED	92	8

HB 794 INTRODUCED BY WILLIAMS, M., ET AL.
PROPERTY TAX EXEMPTION FOR LICENSED, NONPROFIT HOSPITAL AND OUTPATIENT CENTERS
BY REQUEST OF HOUSE COMMITTEE ON TAXATION

2/17	INTRODUCED		
2/17	REFERRED TO TAXATION		
3/03	HEARING		
3/10	COMMITTEE REPORT--BILL PASSED AS AMENDED		
3/13	2ND READING PASSED	81	10
3/14	3RD READING PASSED	88	9
	TRANSMITTED TO SENATE		
3/16	REFERRED TO TAXATION		
3/23	HEARING		
3/27	COMMITTEE REPORT--BILL CONCURRED		
3/31	2ND READING CONCURRED	50	0
4/01	3RD READING CONCURRED	49	0
	RETURNED TO HOUSE		
4/03	SIGNED BY SPEAKER		
4/06	SIGNED BY PRESIDENT		
4/06	TRANSMITTED TO GOVERNOR		
4/09	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 455 EFFECTIVE DATE: 4/09/87		

HB 795 INTRODUCED BY GILBERT, ET AL.
INCORPORATES REGULATION OF CLASS II INJECTION WELLS IN THE OIL AND GAS LAWS

2/17	INTRODUCED		
2/17	REFERRED TO NATURAL RESOURCES		
2/17	FISCAL NOTE REQUESTED		
2/24	FISCAL NOTE RECEIVED		
3/04	HEARING		
3/13	COMMITTEE REPORT--BILL PASSED AS AMENDED STATEMENT OF INTENT ADOPTED		
3/16	2ND READING PASSED	93	4
3/17	3RD READING PASSED	91	5
	TRANSMITTED TO SENATE		
3/18	REFERRED TO TAXATION		
3/26	HEARING		
3/27	COMMITTEE REPORT--BILL CONCURRED		
3/30	REREFERRED TO FINANCE & CLAIMS		
4/03	HEARING		
4/03	COMMITTEE REPORT--BILL CONCURRED		
4/06	2ND READING CONCURRED	50	0
4/07	3RD READING CONCURRED	50	0
	RETURNED TO HOUSE		
4/10	SIGNED BY SPEAKER		
4/10	SIGNED BY PRESIDENT		

4/10 TRANSMITTED TO GOVERNOR
4/15 SIGNED BY GOVERNOR
CHAPTER NUMBER 503 EFFECTIVE DATE: 4/15/87

HB 796 INTRODUCED BY DRISCOLL
LIMITING HOURS OF PLAY AND NUMBERS OF BINGO MACHINES; CAPPING LICENSE FEES
BY REQUEST OF HOUSE COMMITTEE ON BUSINESS & LABOR

2/17	INTRODUCED		
2/17	REFERRED TO BUSINESS & LABOR		
2/17	FISCAL NOTE REQUESTED		
2/19	HEARING		
2/19	COMMITTEE REPORT--BILL PASSED		
2/21	FISCAL NOTE RECEIVED		
2/23	2ND READING PASSED AS AMENDED	62	36
2/25	3RD READING PASSED	69	25
	TRANSMITTED TO SENATE		
3/02	REFERRED TO BUSINESS & INDUSTRY		
3/06	REREFERRED TO STATE ADMINISTRATION		
3/19	HEARING		
3/23	COMMITTEE REPORT--BILL CONCURRED AS AMENDED		
3/25	2ND READING CONCURRED AS AMENDED	40	9
3/27	3RD READING CONCURRED	40	10
	RETURNED TO HOUSE WITH AMENDMENTS		
4/08	2ND READING AMENDMENTS NOT CONCURRED	71	22
4/09	CONFERENCE COMMITTEE APPOINTED		
4/13	CONFERENCE COMMITTEE DISSOLVED		
	SENATE		
4/10	CONFERENCE COMMITTEE APPOINTED		
4/13	CONFERENCE COMMITTEE DISSOLVED		
	HOUSE		
4/13	FREE CONFERENCE COMMITTEE APPOINTED		
4/16	FREE CONFERENCE COMMITTEE REPORT		
4/20	2ND READING FREE CONFERENCE COMMITTEE REPORT REJECTED	75	23
	SENATE		
4/13	FREE CONFERENCE COMMITTEE APPOINTED		
4/15	FREE CONFERENCE COMMITTEE REPORT		
4/16	2ND READING FREE CONFERENCE COMMITTEE REPORT REJECTED	50	0
4/17	FREE CONFERENCE COMMITTEE REPORT NO. 2		
4/21	FREE CONFERENCE COMMITTEE DISSOLVED		
	HOUSE		
4/21	FREE CONFERENCE COMMITTEE REPORT NO. 3		
4/21	2ND READING FREE CONFERENCE COMMITTEE REPORT NO. 3 ADOPTED	81	17
4/22	3RD READING FREE CONFERENCE COMMITTEE REPORT NO. 3 ADOPTED	81	16
	SENATE		
4/21	NEW FREE CONFERENCE COMMITTEE APPOINTED		
4/21	FREE CONFERENCE COMMITTEE REPORT NO. 3		
4/21	2ND READING FREE CONFERENCE COMMITTEE REPORT NO. 3 ADOPTED	31	19
4/22	3RD READING FREE CONFERENCE COMMITTEE REPORT NO. 3 ADOPTED	35	15

MINUTES OF THE MEETING
NATURAL RESOURCES COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

March 4, 1987

The meeting of the Natural Resources Committee was called to order by Chairman Tom Jones on March 4, 1987, at 1:00 p.m. in Room 312 of the State Capitol.

ROLL CALL: All committee members were present with the exception of Rep. Strizich excused, and Rep. Harp absent.

HOUSE BILL NO. 795: Rep, Bob Gilbert, District 22, stated this is a bill to generally revise the oil and gas conservation laws to incorporate regulation of Class II injection wells as defined by the federal environmental protection agency; establishing an injection well operating fee and appropriating funds. He stated this is an important issue, and he stated he does have proponents here to testify and reserved the right to close.

PROPONENTS: Bob McDougall, Production Manager for CENEX, submitted testimony (Exhibit 1). He stated it is their opinion that water injection/disposal wells are in integral and necessary part of oil and gas operations. They see no practical reason why they should not be administered by the same agency in Montana. As an active Operator, they need to have a knowledgeable and responsive Agency that will administer the UIC Program to its full intent while allowing a forum for reasonable solutions to oil and gas problems. With present EPA primacy of water injection/disposal wells in Montana, CENEX and other Montana operators are faced with unnecessary delays, additional costs, and the potential loss of hydrocarbon reserves. In summary, CENEX is not requesting nor do we expect relaxation of UIC rules by establishing primacy in Montana. We do expect, however, to have State oil and Gas Commission procedures whereby engineering and geological evidence of matters on water injection/disposal wells receive responsive action for the benefit of all citizens in Montana.

WILLIAM BALLARD representing Ballcrow Oil Company, a small independent base in Billings submitted testimony (Exhibit 2). He stated he agreed with Mr. McDougill's statements and his concern about the way UIC has been administered in the state of Montana. He stated they operate about eight injection wells on the Pondera Oil fields in northwest Montana, and he stated they have had similar problems even

with the old wells with some of them being at least 50 years old. He stated they were asked to go through the permitting process to administer these wells as of last June. He stated they did go through the entire process, and stated here it is, March, and they have yet to receive one permit even though they have had every test they have been asked to take and they found that the wells have the integrity to prevent any damage to any drinking water sources. We have no objection to the rules, and they are in favor of protecting any drinking that is available anywhere in the State of Montana. However, they feel that the amount of time it takes from the testing phase to the permit issuance, is unreasonably going through the EPA. They do not have a office in Montana, at least as far as the permitting process is concerned, which seems to cause problems, especially with the people in the permitting process. He stated this is the only real problem they experienced. He stated they felt this was a good real problem they have experienced. He stated this is the only real problem they have experienced. He stated they felt this was a good bill and asked the committee to give it a good recommendation.

JEROME ANDERSON representing the Shell Oil Company, stated Shell probably has the largest number of injection wells in Montana, with most of them located in the southeast part of the State. He stated they are supporting this bill, due to the experience they have already been through with the EPA. He stated they do not have any objections to the rules and regulations however, they have found that the problem lies with the length of time if takes to get through the permitting process, especially when you are dealing with the Denver office. He stated sometimes, it can take as long as two years to finally get your permit. They feel it should be changed and instead of going to Denver, move the permitting process here to Helena, and they have found that th time frame between the time of application and the time of issuance will be reduced significantly. For this reason, they would propose an amendment that would clarify this permitting process. He stated he did not have the amendment drafted in final form, however, he could supply this to the committee at a later date. With that he urged the committee to consider the proposed amendment and hoped they would give this bill favorable recommendation.

OPPONENTS: Tom Richman representing the Board of Oil and Gas in Billings stated he merely wanted to offer himself as a possible source of answers to any questions the committee may have.

DISCUSSION

REP. SIMON asked Rep. Gilbert in regard to the new section on page 15, states "administrator or a board member finds that a person is committing or about to commit an act in violation" and he wondered how they would know that a person is "about to commit an act."

REP. GILBERT stated that he would assume that probably through information provided to the board that may state they know of someone who is committing as violation, and this could be called actually preventing the act, if they felt someone were to commit a violation.

REP. ROTH stated there had been testimony with regard to the history of the Oil and Gas Commission, and stated he was not familiar with this commission, and asked Mr. Ballard what his experiences have been with them, regarding this type of as process.

MR. BALLARD stated they have had absolutely no problems with the board since 1963, and since that time, they have permitted between 200-300 wells in the State. He stated the oil and gas commission has administered the regulations involving the permit process right on through plugging and clean up locations and all other aspects of these wells. The landowners with whom they have dealt, have never made any claim against any well that they have operated and cleaned up according to the regulations, and the cleanup operation was approved by the State Oil and Gas Commission. We feel they do a more than adequate job in regulating the industry in this state, they have the utmost confidence in them.

REP. MILES stated she felt the bill was fairly good however, she had a problem with page 3 regarding the definition of "pollution" which reads "pollution means contamination or other alteration of the physical, chemical, etc, that exceeds standards adopted by the Board," and she asked Rep. Gilbert if this was talking about the standards that the Board of Oil and Gas Commission would adopt

REP. GILBERT stated that is correct and would be pollution only pertaining to underground injection wells.

REP. MILES stated her concern was that when talking about standards adopted by the Board, the next page states "any disposal etc, that is authorized under a rule, permit, or order of the Board is not pollution under this chapter." She was concerned because she could envision the board adopting minimal standards here, and yet discharge being allowed that would involve degradation to the wildlife and other surrounding resources.

REP. GILBERT stated the problem with that part of the bill, is that these standards we're to adopt will be the federal EPA standards, and in order then to assume primacy, it's almost mandatory that they follow the EPA standards or the EPA will not release their primacy. Therefore, those standards will be very, very strict.

REP. MILES stated she wondered if we needed some other language in the bill to clarify what the intent of those standards would be, and she felt as written, they are fairly broad. She stated she does worry about any injection that is authorized, would not be considered pollution under the chapter, and if we intend on it being a certain set of standards, she felt this would definitely need to be clarified.

REP. GILBERT stated it would be his assumption, that first of all we look at the standards that we will be adopting, before we decide we want to write our own. Often times in doing that, we take the standards written by experts and put it into a point to where they may sound good at the time, however, they become unworkable and he has seen this happen in any cases.

IN CLOSING, REP. GILBERT distributed a proposed amendment to the committee and then explained this section has to be amended to change "shall" to "may" because the industry has passed up the privilege and license taxes to support the operations of the Board of Oil and Gas, and the amendment will avoid any conflict in this section, because it is a privilege and license tax and since we're dealing with fees, this is a necessary change. He then emphasized this is self funding and there will be an appropriation in the special revenue fund for the Board of Oil and Gas Commission and that money will be returned in the way of fees, so the appropriation will be just to start up the fund, until at such time it will be self funding. With that he urged the committee to look favorably on this bill.

HEARING CLOSED ON HB 795.

SENATE BILL NO. 151: Senator Jack Galt, District 16, stated SB 151 is an act authorizing the Department of Natural Resources and Conservation to issue a permit for the appropriation of ground water in Musselshell County. He stated several sessions ago, there was a large appropriation of ground water allowed in the State of Colorado. Some feared some very forward looking people were going to appropriate that water and then sell it for a profit. Sen. Blaylock took exception to that and passed as bill through both houses and now, anyone who wants to appropriate over 3,000 acre-feet of groundwater annually, has to acquire

EXHIBIT 1
DATE 3-4-87
HB 795

CENEX • Post Office Box 21479 • 1601 Lewis Ave. • Billings, Montana 59104 • (406) 245-4747

March 4, 1987

MONTANA HOUSE OF REPRESENTATIVES
NATURAL RESOURCES COMMITTEE
HELENA, MONTANA

COMMENTS ON HOUSE BILL 795

Dear Mr. Chairman:

CENEX has been an active oil and gas exploration and production company in Montana since 1946, with a present working interest in approximately 400 wells within the state. We are testifying today in favor of House Bill 795 which significantly affects our working interest in 123 water injection/disposal wells within Montana.

It is our opinion that water injection/disposal wells are an integral and necessary part of oil and gas operations. We see no practical reason why they should not be administered by the same agency in Montana. As an active Operator we need to have a knowledgeable and responsive Agency that will administer the UIC Program to its full intent while allowing a forum for reasonable solutions to oil and gas problems. With present EPA primacy of water injection/disposal wells in Montana, CENEX and other Montana Operators are faced with unnecessary delays, additional costs, and the potential loss of hydrocarbon reserves. Some examples of these problems are described in subsequent paragraphs.

Last year a field operator, in wells which CENEX has a working interest, applied for a permit to drill a new water disposal well in Roosevelt County. It took five full months to receive the necessary permit to drill. This delay cost the Operator, CENEX, and other working interest partners approximately $33,000 additional costs to truck water to other disposal sites.

CENEX is presently preparing to plug and abandon a water injection well in Petroleum County. We have been advised by both the EPA and the State of Montana that they will have witnesses for the actual plugging operation. This has created a certain amount of confusion for our field supervisors.

EXHIBIT 1
DATE 3-4-87
HB 795

In Petroleum County, CENEX is operating two waterfloods where drinking water from the 3rd Cat Creek Sandstone has been injected into the oil and gas reservoirs for over 30 years. CENEX personnel living in the nearby camp are still drinking the water from the same water supply wells used over these years. The UIC integrity testing rules require that these old injection wells be pressure tested, even though there doesn't appear to be any possible way for the aquifer to be damaged by water reinjected from its own source. This pressure testing will cost CENEX approximately $200,000 for 16 old water injection wells. At today's oil prices this is uneconomical. Our alternative will be to plug and abandon the wells and potentially lose approximately 250,000 barrels of oil reserves. Presently CENEX's producing status in this field is uncertain. However, presentation of engineering and geological testimony at an appropriate forum would most likely result in a practical solution to the problem.

Recently CENEX experienced an example of an Operator and a State Oil & Gas Commission working closely together to solve a problem for joint benefit. Five water injection wells were integrity tested in this field as required by UIC rules. Two wells failed the tests and were promptly shut in by CENEX. CENEX then located the source of the leaking problem and proposed a method of solution to that State Oil and Gas Commission. The Commission approved the well repair procedure, CENEX promptly performed the work at reasonable costs and the wells were then retested successfully to meet integrity requirements. As opposed to the wells being plugged and abandoned, they are being utilized today at significant benefit to CENEX and the State and without danger of contamination of fresh water sources.

In summary, CENEX is not requesting nor do we expect relaxation of UIC rules by establishing primacy in Montana. We do expect, however, to have State Oil and Gas Commission procedures whereby engineering and geological evidence of matters on water injection/disposal wells receive responsive action for the benefit of all citizens in Montana.

Respectfully submitted,

R. E. McDougall

R. E. McDougall
Production Manager

REM/ir

EXHIBIT 2
DATE 3.4.87
HB 795

HOUSE BILL 795

HB 795 should be passed for the following reasons:

1. Federal rules for protection will be adopted:

2. Montana is the only State in the Rocky Mountains that does not administer underground injection control:

3. The Montana Oil and Gas Commission now administers all other well regulations and has done so successfully since the 1920's. Montanans should regulate Montanans, and not the Federal Government;

4. The U.S. Environmental Protection Agency (EPA) presently administers UIC in Montana out of the Denver office and this results in very costly delays of permit issuance, in some cases, more than one year after all requirements are met. The Montana Oil and Gas Commission could require the same standards and still issue permits in a timely fashion, thus avoiding the costly delays;

5. Industry will be paying administration costs thus saving tax payer's money.

EXHIBIT 3
DATE 3-4-87
HB 795

AMENDMENT TO HB 795

Section 13, Page 19, line 14

... injection well ~~shall~~ may be required to pay an annual operating fee ...

VISITORS' REGISTER

NATURAL RESOURCES COMMITTEE

BILL NO. HB 795 DATE March 4, 1987

SPONSOR Gilbert

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
JEROME ANDERSON	~~SHELL~~ - SHELL WESTERN E+P BILLINGS	X	
R.E. McDOUGALL	CENEX - EXPLORATION + PRODUCTION	X	
[illegible]	MSEA		
W.W. Ballard	Baucus	X	
TOM RICHMOND	Board of Oil & GAS Billings	X	
Bill Engle	USEPA		
GEORGE OLIENSKI	MEIC		
Janelle Fallan	Mt Petroleum	X	
Jan Cecil	Exxon	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MS. BIRD stated absolutely, and one of the things a wilderness area requires to look first at those wilderness areas that are already protected and find different situations in those areas that are in fact already protected, before you go out and look for other areas.

REP. KADAS asked Ms. Bird if the council could do the job say in four, six or eight years, a sunset is placed on the bill.

MS. BIRD stated this would be difficult to pinpoint at this stage in the program.

IN CLOSING, Sen Blaylock as stated before, the only legal way they could proceed with the bill, is to have the statutory appropriation taken out in the Senate, and of course, the bill must have the appropriation put it in the House. He felt the amendments offered to the bill, would accomplish this, until it hopefully could get to the House floor, at which time the statutory appropriation would be put in it. With that he thanked the committee for their time and consideration in this matter.

HEARING CLOSED ON SB 329.

EXECUTIVE SESSION

HOUSE BILL NO. 795: Rep. Cobb moved DO PASS. He then moved the amendments Nos. 1, 3, 4, 5, 6 and the Statement of Intent for HB 795. Question was then called, the motion CARRIED unanimously. Rep. Miles then moved amendment 2. Question being called, the motion CARRIED unanimously. Rep. Asay moved HB 795 DO PASS AS AMENDED. Question being called the motion CARRIED unanimously. See Standing Committee Report Nos. 1-6 and attached Statement of Intent.

SENATE BILL NO. 292: Rep. Roth moved SB 292 DO CONCUR. Rep. Raney moved the amendments offered by DNRC. Question was then called, the motion FAILED unanimously. Rep. Miles then moved to amend the effective date, which would also demand a title change. Question was then called on the Miles amendment, the motion CARRIED unanimously. See Standing Committee Report Nos. 1-2. Rep. Cobb moved SB 292 DO CONCUR AS AMENDED. Question being called, the motion CARRIED, with Reps. Raney, Russell, Kadas, Simons, Harper and Miles voting NO.

ADJOURNMENT: There being no further business, the meeting was adjourned at 3:20 p.m.

MARCH 11, 19 37

STATEMENT OF INTENT

H Bill No. 735

It is the intent of the legislature that the board of oil and gas conservation adopt rules necessary to regulate Class II injection wells under the provisions of this act. These rules must establish an enforceable program meeting the requirements of the environmental protection agency for state administration of an underground injection control program and ensuring compliance with state water quality laws.

Chairman.

TOM JONES

STATE PUB. CO.
Helena, Mont.

STANDING COMMITTEE REPORT

MARCH 11 19 87

Mr. Speaker: We, the committee on NATURAL RESOURCES

report SB 795

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☒ as amended
☒ statement of intent attached

TOM JONES Chairman

1. Page 2,
Following: line 24
Insert: "(9) 'Fluid' means any material or substance that flows or moves, whether in a semisolid, liquid, sludge, gas, or any other form or state."

Renumber subsequent subsections.

2. Page 3, line 21.
Following: the first "by"
Insert: "state water quality standards or"

3. Page 5, line 22.
Strike: "salt"

4. Page 10, line 3.
Strike: "salt"

5. Page 10, line 10.
Strike: "salt"

6. Page 19, line 14.
Strike: "shall"
Insert: "may be required to"

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MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

March 26, 1987

The fiftieth meeting of the Senate Taxation Committee was called to order at 8:00 A.M. on March 26, 1987 by Chairman George McCallum in Room 413/415 of the Capitol Building.

ROLL CALL: All committee members were present.

CONSIDERATION OF HB 795: Representative Gilbert, House District 22, presented this bill to the committee. This bill will allow for statutory changes to be made in Montana law in order for the Montana owned Gas Commission of the state of Montana control of underground injection wells in the state. It is not a complicated bill, it merely makes statutory changes to give that opportunity.

PROPONENTS: Bob McDougall, Production Manager, CENEX in Billings, gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 1.

William W. Ballard, representing Balcron, gave testimony in support of this bill. A copy of his written comments is attached as Exhibit 2.

Jerome Anderson, attorney from Billings representing Shell Western E & P, gave testimony in support of this bill. He supports this bill in order to obtain better service in obtaining permits from an agency located in Montana. They do not anticipate relaxation of the regulations.

George Ochenski, Montana Environmental Information Center, gave testimony in support of this bill. This bill has a considerable grey area for them because the Oil and Gas Commission has not been overly environmentally sensitive. At the same time, they support bringing federal functions down to the state level because of the access it provides the citizens. In the House, the sponsor went on record that if the Oil and Gas Commission does not do a good job of carrying this out, he will sponsor a bill to take it out of their hands.

OPPONENTS: None.

QUESTIONS FROM THE COMMITTEE: Senator Halligan said on page 6 it talks about the Board having exclusive jurisdiction. He asked Representative Gilbert what is the EPA's role.

Representative Gilbert said the Oil and Gas Commission would still have to follow the EPA guidelines. If this does not work out with the Oil and Gas Commissioner, he will carry the bill to take this authority away from them.

Representative Gilbert closed.

CONSIDERATION OF HB 709: Representative D. Brown, House District 72, presented this bill to the committee. Those of you who were here last session have seen this bill before. HB 122 has been worked on during the interim and this session HB 709 received heavy support in the House, as it passed 94-4. This is a tax incentive bill for expansion of existing industry or for new industry coming into Montana. He reviewed the bill, section by section, with the committee. There are some bills in the House that may need some coordination instructions in this bill.

PROPONENTS: Representative Asay, House District 27, gave testimony in support of this bill. He has an amendment he would like to propose, attached as Exhibit 3, which would add the condition that if the business "has changed ownership due to a foreclosure or bankruptcy proceeding", then they would be authorized to be included under the provisions of this act. This would allow an industry that has come through bankruptcy, or foreclosure, and which has changed hands, to be considered by the local jurisdiction. The idea is to get them back into production and back into business. This amendment is intended to take care of the situation in Billings with the Western Sugar Company. The taxes on the company are quite drastic with the Department's interpretation of values.

Gary Langley, representing the Montana Mining Association, gave testimony in support of this bill. A copy of his written statement is attached as Exhibit 4.

Joe Weggenman, Executive Director, Helena Area Chamber of Commerce, gave testimony in support of this bill. He views this bill as a way where we can become competitive with our neighboring states. The potential of this bill is to put us on the same bargaining table as our neighboring states, with an incentive program to try to attract new business.

DATE March 26, 1987

COMMITTEE ON Senate Taxation

VISITORS' REGISTER HBs 658, 700, 709, 795

NAME	REPRESENTING	BILL #	Check One: Support	Oppo
Dave Lewis	Fleetwood Sports	658	✓	
W.W. Ballard	Balcron	795	X	
R.E. McDougall	CENEX	795	X	
Jerome Cate	Shell Western E&P	795	✓	
Ken Hoovestol	MT. Snowmobile Assn.	658	X	
Joe Weggenman	Helena Chamber of Commerce	709	X	
Janelle Fallan	MT Petroleum Assoc	795	X	
Tom Hanson	ONE WAY MARINE INC.	658	X	
Dave Brown	Sponsor - HB-709 - Butte	709	X	
Ted Rollins	ASARCO, Inc.	HB 709	X	
Dave Birmingham	WINTEC, INC.	700	✓	
Stan Brown	PLM	709	X	
Gary Langley	Montana Mining Assn.	709	✓	
Jan Cool	Exxon	795	✓	
Kay Foster	Billings Chamber	700	✓	
Ken Williams	Entech/Western Energy	709	✓	
Kermit Pharis	Dairymen of the Mtns, Inc.	658	✓	
Stuart Doggett	MT Chamber of Commerce	700 709	✓	
George Ochenski	MT. ENV. INF. CTR.	795	—	
Dave Hunter	Montana Power Co	795	✓	
Jim Beyer	Wallenes Unlimited	658	✓	
John Augustine	CONOCO Inc	795	X	
Brent Boerger	Montana Forward	709	X	
Bob Correa	Bozeman Chamber of Com	700	X	
Stan Stephens	MSTA	700	X	
Steve Brown	MSTA	700	X	

(Please leave prepared statement with Secretary)

CENEX • Post Office Box 21479 • 1601 Lewis Ave. • Billings, Montana 59104 • (406) 245-4747

March 26, 1987

MONTANA SENATE
TAXATION COMMITTEE
HELENA, MONTANA

COMMENTS ON HOUSE BILL 795

Dear Mr. Chairman:

CENEX has been an active oil and gas exploration and production company in Montana since 1946 and we presently own a working interest in approximately 400 wells within the state. We are testifying today in support of House Bill 795 which significantly affects our working interest in 123 water injection/disposal wells within Montana.

It is our opinion that water injection/disposal wells are an integral and necessary part of oil and gas operations in Montana. We see no practical reason why they should not be administered by the Board of Oil and Gas Conservation Commission. Twenty-three other states that have oil and gas production presently administer their own compliance and monitoring operations. As an active Operator we need to have a knowledgeable and responsive Agency that will administer the UIC Program to its full intent while allowing a forum for reasonable solutions to oil and gas problems. With present EPA primacy of water injection/disposal wells in Montana, CENEX and other Montana Operators are faced with unnecessary delays, additional costs, and the potential loss of hydorcarbon reserves. Some examples of these problems are described in subsequent paragraphs.

Last year a field operator, in wells which CENEX has a working interest, applied for a permit to drill a new water disposal well in Roosevelt County. It took five full months to receive the necessary permit to drill. This delay cost the Operator, CENEX and other working interest partners approximately $33,000 additional costs to truck water to other disposal sites.

In Petroleum County, CENEX is operating two waterfloods where drinking water from the 3rd Cat Creek Sandstone has been injected into the oil and gas reservoirs for over 30 years. CENEX personnel living in the nearby camp are still drinking the water from the same water supply wells used over these years. The UIC integrity testing rules require that these old injection wells be pressure tested, even though there doesn't appear to be

SENATE TAXATION
EXHIBIT NO. 1
DATE 3-26-87
BILL NO. H.B. 795

any possible way for the aquifer to be damaged by water reinjected from its own source. This pressure testing will cost CENEX approximately $200,000 for 16 old water injection wells. At today's oil prices this is uneconomical. Our alternative will be to plug and abandon the wells and potentially lose approximately 250,000 barrels of oil reserves. Presently CENEX's producing status in this field is uncertain after corresponding with the EPA on this subject for approximately 1-1/2 years. We believe, however, that presentation of the engineering and geological data at an appropriate hearing could have most likely resulted in a practical solution to the problem.

CENEX has been preparing to plug and abandon a water injection well in Petroleum County. We were advised by both the EPA and the State of Montana that they will have witnesses for the actual plugging operation. This isn't a significant issue other than to illustrate the normal confusion that exists when two agencies have jurisdiction in a common area of oil and gas operations.

Recently CENEX experienced an example of an Operator and a State Oil & Gas Commission working closely together to solve a problem for joint benefit. Five water injection wells were integrity tested in this field as required by UIC rules. Two wells failed the tests and were promptly shut in by CENEX. CENEX then located the source of the leaking problem and proposed a method of solution to that State Oil and Gas Commission. The Commission approved the well repair procedure, CENEX promptly performed the work at reasonable costs and the wells were then retested successfully to meet integrity requirements. Instead of the wells being plugged and abandoned and redrilled, at a replacement cost of $700,000, they are being utilized today with a significant benefit to CENEX and the State and without danger of contamination of fresh water sources.

In summary, CENEX is not requesting nor do we expect relaxation of UIC rules by establishing primacy in Montana. We do expect, however, to have State Oil and Gas Commission procedures whereby engineering and geological evidence of matters on water injection/disposal wells receive responsive action for the benefit of all citizens in Montana. For these reasons we urge your passage of this legislation.

Respectfully submitted,

R. E. McDougall

R. E. McDougall
Production Manager

REM:vw

SENATE [illegible]
EXHIBIT NO. 1
DATE 3-26-87
BILL NO. H.B. 795

HOUSE BILL 795

HB 795 should be passed for the following reasons:

1. Federal rules for protection will be adopted;

2. Montana is the only State in the Rocky Mountains that does not administer underground injection control;

3. The Montana Oil and Gas Commission now administers all other well regulations and has done so successfully since the 1920's. Montanans should regulate Montanans, and not the Federal Government;

4. The U.S. Environmental Protection Agency (EPA) presently administers UIC in Montana mostly out of the Denver office and this results in very costly delays of permit issuance, in some cases, more than one year after all requirements are met. The Montana Oil and Gas Commission could require the same standards and still issue permits in a timely fashion, thus avoiding the costly delays;

5. Industry will be paying administration costs thus saving tax payer's money.

W. W. Ballard

W. W. BALLARD

SENATE TAXATION
EXHIBIT NO 2
DATE 3-26-87
BILL NO. H.B. 795

Jim Lear said the amendment would strike any weight limits in the bill.

The motion carried.

Jim Lear said if the committee wants to include motorcyles, three and four wheelers, and quadricycles, to be included in paying this 50 cent fee, then sections 61-1-105, 61-1-106 and 61-1-133, need to be included in this bill.

Senator Lybeck would move those amendments. The motion carried with Senator Severson opposed.

Senator Hirsch made a motion that HB 102 BE CONCURRED IN AS AMENDED. The motion carried.

DISPOSITION OF HB 658: Senator Halligan made a motion that HB 658 BE CONCURRED IN. The motion carried with Senators Hirsch, Severson and Neuman opposed.

DISPOSITION OF HB 795: Senator Hirsch made a motion that HB 795 BE CONCURRED IN. The motion carried.

DISPOSITION OF HB 457: Senator Mazurek would like to see everything go to two years. It seems like people should have to pick-up more than one year in back taxes.

Senator Mazurek made a motion that we strike one year and insert two years. The motion failed 6-6, see attached roll call vote sheet.

Senator Mazurek made a motion that HB 457 BE NOT CONCURRED IN.

Senator Eck made a substitute motion that HB 457 BE CONCURRED IN. The motion carried with Senators Halligan, Hirsch, Neuman and Mazurek opposed.

DISPOSITION OF HB 409: Senator Halligan made a motion that HB 409 BE CONCURRED IN.

Senator Mazurek said this bill needs some coordination instruction.

Jim Lear said 15-30-121 would be amended in SB 307 and repealed in HB 842.

Senator Eck said if we wanted to do something with this we could make it a credit.

STANDING COMMITTEE REPORT

March 27 19 37

MR. PRESIDENT

We, your committee on SENATE TAXATION

having had under consideration HOUSE BILL No. 795

third reading copy (blue color)

GILBERT (HIRSCH)

INCORPORATES REGULATION OF CLASS II INJECTION WELLS IN THE OIL AND GAS LAWS

Respectfully report as follows: That HOUSE BILL No. 795

BE CONCURRED IN

~~DO PASS~~

~~DO NOT PASS~~

SENATOR GEORGE McCALLUM, Chairman.

MINUTES OF THE MEETING
FINANCE AND CLAIMS COMMITTEE
MONTANA STATE SENATE

April 3, 1987

The 23rd meeting of the Senate Finance and Claims Committee met on the above date in room 108 of the State Capitol. Following roll call Senator Regan, Chairman, called the meeting to order to hear House Bills 795, and 868.

ROLL CALL: All members present except Senator Gage.

CONSIDERATION OF HOUSE BILL 795: AN ACT TO GENERALLY REVISE THE OIL AND GAS CONSERVATION LAWS TO INCORPORATE REGULATION OF CLASS II INJECTION WELLS AS DEFINED BY THE FEDERAL ENVIRONMENTAL PROTECTION AGENCY; ESTABLISHING AN INJECTION WELL OPERATING FEE; APPROPRIATING FUNDS, etc.

Representative Gilbert, House District 22 and chief sponsor of the bill said, this bill will allow the state to change their statutes to allow the Oil and Gas Commission to have jurisdiction on control of underground injection well placement in the state of Montana. Presently that authority is held by the Environmental Protection Agency.

Representative Gilbert told of the long delay in getting a permit for an injection well, and if a problem should arise it sometimes takes a year or a year and a half to get results. He said Representative Ted Schye of Glasgow had a resolution dealing with the Judith River water formation in Valley and Roosevelt County where they were injecting salt water into that formation and that formation rises quite rapidly in that area and there is a fear that it will contaminate the ground water supply. There have been numerous complaints to the EPA and they just haven't reacted. He said he felt if the authority was moved to the Oil and Gas Commission they will have someone to go to.

PROPONENTS TO HOUSE BILL 795: Jerome Anderson, an attorney from Billings representing Shell Oil Exploration and Production company and also the Montana Petroleum Association said, the industry needs this primacy in the Oil and Gas Commission because of the problems they have had with the EPA in Denver. He said he would like to point out that they are not looking for less regulation. The Oil and Gas Conservation Commission will have to convince the federal government that the regulations will be maintained and the inspection programs will be continued and the Oil and Gas Commission will work in concert with the EPA in permitting and regulating these injection wells. He said

they were used for the purpose of reinjecting water back into the ground that comes out during the drilling process and also for the purpose of injecting water, co2 and other things into the ground for secondary recovery and government programs. The permit process is to insure that injections are done to levels of strata that don't affect the drinking water, ground water and things of that nature. He said the funding is handled on page 19 of the bill, starting on line 14. He said it was to be not more than $300 per well.

Representative Gilbert said he would like to point out that Dee Rickman, Assistant Administrator, Oil and Gas Conservation Division was present to answer any questions the committee might have.

There were no further proponents, no opponents, and Senator Regan asked if there were questions from the committee.

QUESTIONS FROM THE COMMITTEE: Senator Jergeson said, a couple members of the Montana Land Mineral Owners Association have asked a question of this bill on the basis they are not sure the Oil and Gas Commission has the capacity to deal with all these things. Is the funding in this bill adequate? Representative Gilbert answered, it is adequate. At the present time I don't know if they do have the capacity. That's why the funding is here, to put the people on board. Mr. Anderson added that not only will representatives of the Oil and Gas be involved with this but also the EPA will have on site inspections and follow them up to see that it is done.

Senator Keating asked, maybe Ms. Rickman could answer this. Do some of the Oil and Gas Commission engineers get involved sometimes with salt water disposal in the course of their duties in checking the wells and that sort of thing. Dee Rickman said in the past before the underground injection control program came into place a few years ago our board was in charge of permitting salt water injection wells and other injection wells and our engineers used to get involved over a period of years in dealing with this problem.

Senator Keating said, so there is some expertise already in staff on the Oil and Gas Commission along these lines. Dee Rickman answered, that is correct.

Representative Gilbert closed by saying, what we really want is a statutory change. I think it will be a lot better for the industry and better for the people you are concerned about out there, Senator Jergeson. They will have somebody to go to. There is a lot of teeth in this bill, with the penalties in here I don't know why the industry accepted it, we have some very stringent penalties in the law if they violate it.

Senator Smith said on page 7 the very first lines I had raised some questions on the floor. My concern was it says the Board "may" but as I look at this, it is in the design of the program and later on it says "shall". In our area several times we have called the Oil and Gas Commission and they have said, we are not an enforcement agency.

Exhibits 1 and 2, House Bill 795 are attached to the minutes.

DISPOSITION OF HOUSE BILL 795: Senator Keating moved that House Bill 795 be concurred in. Voted, passed, unanimous.

CONSIDERATION OF HOUSE BILL 868: AN ACT TO APPROPRIATE MONEY TO THE DEPARTMENT OF AGRICULTURE FOR VERTEBRATE PEST MANAGEMENT PURPOSES." Representative Swysgood, chief sponsor of House Bill 868 explained the bill by saying House Bill 868 appropriates the funds created by Senate Bill 238 which was a bill carried by Senator Beck to impose a surcharge on those of us who use rodenticides for control of Columbia ground squirrel. We need the funds to continue the data gathering requirements that are necessary in order to be able to conform to the EPA regulations and whatever is necessary to use strychnine, possibly 10-80 and some others like the zinc base rodenticides that we are using in the control of these gophers. The problem is severe in western and southwestern Montana and considerable studies have been done. In '86 we have completed a lengthy program on the damage caused by these ground squirrels and we were allowed to use 10-80 for awhile in an emergency situation and that was halted in '84 or '85 and now strychnine is being used and they are talking about taking that away from us unless we come up with more data to meet those requirements.

PROPONENTS FOR HOUSE BILL 868: Mona Tiegen, representing the Montana Stockgrowers and Cattle Women organization said, this is a self help program.

There were no further proponents, no opponents, and Senator Regan asked if there were questions from the committee.

QUESTIONS FROM THE COMMITTEE: Senator Himsl asked, this money is for research for updated data on this. They have been studying and working these things for a long time, at least in our area and we already know there is a certain cyclical thing about this. They will be there for awhile and then all of a sudden they seem to disappear and then they are back again. Why do we need more study on this? Representative Swysgood answered, we don't like the studies any more than anybody else but the EPA and everybody just continually makes us update this data and it is a continual hassle. In order to be able to control we have to comply with it or we are out in left field.

DATE

COMMITTEE ON Finance & Claims 4-3-87

VISITORS' REGISTER HB 795 + 868

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Charles Stohl	Health	HB185		
Jerome Anderson	Mont Pet. Ass Shell Pipeline E&P	HB795	✓	
Mons Teigen	Mt Stockgrowers "C-Hereward	868	✓	

(Please leave prepared statement with Secretary)

APR - 1 198

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 1
DATE 4-3-87
H BILL NO. 795

Board of Oil and Gas Conservation - UIC Program

Fiscal Year 1989
Estimated Budget

Personal Services

Director	42350	35000	base salary + benefits
Inspectors (2)	44000	18200	"
Secretary	16300	13500	"
	102600		

Operating expense

Travel (in-state)	15000	Estimated 400 days travel per year
Travel (out of State)	5000	Travel for training and attendence at conferences
Library materials	5000	Reference materials, maps, books, etc.
Supplies/material	10000	Paper supplies, field and safety equipment, gasoline, etc.
Communications	6500	Additional telephone equipment and useage
Rent	2400	Rent of office space for remote inspector
Administrative overhead	20000	Centralized services chargeback
Contracted services	50000	Data entry, software development, consulting expense
Additional Hearings	7500	Additional hearings required for UIC rulemaking/compliance
Training/UIPC membership	3000	Tuition/fees does not include travel
Repairs/Maint.	6000	Repair and maintain field equipment and vehicles
	130400	

Capital Expenditures

Vehicles (2)	30000	Additional vehicles for inspectors
Furniture	5000	Desks, chairs, file cabinets, misc small furnishings
Computers (2)	12000	Two computer workstations with appropriate software
	47000	

Total Program	280000

APR - 1 1987

Underground Injection Control
Estimated Startup Budget Fiscal Year 1988

Item	units	Cost/unit	Total cost	Remarks
Operating Expense				
Travel				
Out of State				
Per Diem	12 days	75	$900	Estimated travel for 2 people
transportation	6 Rd/trip	250	$1,500	At three roundtrip visits to EPA
misc. travel	6 trip	50	$300	in Denver
In State				
Per Diem	2 days	37.5	$75	Estimated travel for one to Helena for two
Transportation	1000 miles	0.21	$210	2 day trips
Legal Expenses	128 hours	75	$9,600	cont. Legal expense @ 16 days
Board Hearings	2 each	2500	$5,000	Two one-day hearings by full Board for rule-making
Mailing, Publications				
general mailing	2 each	500	$1,000	Two notices to mailing list
Admin. Register	3 each	300	$900	Three publivations of Rulemaking at 10 pages each
Communications	12 months	300	$3,600	Estimated additional costs at 10% of current expense
Supplies and Material				
Reprint Rule book	1 each	5000	$5,000	
Reprint forms	1 each	2500	$2,500	
misc. supplies	12 months	90	$1,080	Estimated at 10% of current
Library/reference	n/a		$335	Maps, reports, published materials and subscriptions
~~Personal~~ Professional services			$32,000	(operating cost)
Consulting fees				
Hydrology/engineering	20 days	350	$7,000	
EDP/software develop.	30 days	200	$6,000	
			$13,000	contracted (~~personal~~ services)
	Total Cost		$45,000	

CENEX • Post Office Box 21479 • 1601 Lewis Ave. • Billings, Montana 59104 • (406) 245-4747

March 26, 1987

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 2
DATE 4-3-87
BILL NO. H 795

MONTANA SENATE
TAXATION COMMITTEE
HELENA, MONTANA

COMMENTS ON HOUSE BILL 795

Dear Mr. Chairman:

CENEX has been an active oil and gas exploration and production company in Montana since 1946 and we presently own a working interest in approximately 400 wells within the state. We are testifying today in support of House Bill 795 which significantly affects our working interest in 123 water injection/disposal wells within Montana.

It is our opinion that water injection/disposal wells are an integral and necessary part of oil and gas operations in Montana. We see no practical reason why they should not be administered by the Board of Oil and Gas Conservation Commission. Twenty-three other states that have oil and gas production presently administer their own compliance and monitoring operations. As an active Operator we need to have a knowledgeable and responsive Agency that will administer the UIC Program to its full intent while allowing a forum for reasonable solutions to oil and gas problems. With present EPA primacy of water injection/disposal wells in Montana, CENEX and other Montana Operators are faced with unnecessary delays, additional costs, and the potential loss of hydorcarbon reserves. Some examples of these problems are described in subsequent paragraphs.

Last year a field operator, in wells which CENEX has a working interest, applied for a permit to drill a new water disposal well in Roosevelt County. It took five full months to receive the necessary permit to drill. This delay cost the Operator, CENEX and other working interest partners approximately $33,000 additional costs to truck water to other disposal sites.

In Petroleum County, CENEX is operating two waterfloods where drinking water from the 3rd Cat Creek Sandstone has been injected into the oil and gas reservoirs for over 30 years. CENEX personnel living in the nearby camp are still drinking the water from the same water supply wells used over these years. The UIC integrity testing rules require that these old injection wells be pressure tested, even though there doesn't appear to be

CENEX, Limited Partnership, Incorporated

any possible way for the aquifer to be damaged by water reinjected from its own source. This pressure testing will cost CENEX approximately $200,000 for 16 old water injection wells. At today's oil prices this is uneconomical. Our alternative will be to plug and abandon the wells and potentially lose approximately 250,000 barrels of oil reserves. Presently CENEX's producing status in this field is uncertain after corresponding with the EPA on this subject for approximately 1-1/2 years. We believe, however, that presentation of the engineering and geological data at an appropriate hearing could have most likely resulted in a practical solution to the problem.

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Respectfully submitted,

R. E. McDougall

R. E. McDougall
Production Manager

REM:vw

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 2 page 2
DATE 4-3-87
BILL NO. HB 785

STANDING COMMITTEE REPORT

April 3 19 87

MR. PRESIDENT

We, your committee on FINANCE AND CLAIMS

having had under consideration House Bill 795 No.

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color

INCORPORATES REGULATION OF CLASS II INJECTION WELLS IN THE OIL AND GAS LAWS

GILBERT (Hirsch)

Respectfully report as follows: That House Bill 795 No.

BE CONCURRED IN

~~XXXXXX~~
DO PASS

~~DO NOT PASS~~

SENATOR REGAN Chairman.